

Part 5 Loan Application Requirements (7 CFR 762.110)***--Section 1 Application Requirements for SEL's and CLP Lenders****69 General Application Requirements--*****A Application Requirements**

SEL's and CLP lenders must perform at least the same level of evaluation and documentation for guaranteed loans as for nonguaranteed loans of a similar type and amount.

Good communication with lenders will minimize problems and help ensure a rapid review of applications. The Authorized Agency Official should communicate with lenders throughout the application preparation and submission process. Lenders should be encouraged to:

- contact Authorized Agency Officials for assistance with the application
- address any issues or deficiencies before they become problems.

Lenders may use FSA-1980-01 as an application processing checklist. FSA may use FSA-1980-02 to review an application for completeness.

B Maintaining Complete Loan File

All lenders must compile and maintain in their files a complete application for each guaranteed loan. CLP lenders must certify that the required items, not submitted, are in their files.

--The lender's file must contain the applicable items in paragraphs 69.5 and 69.6 and all correspondence with the borrower regarding servicing actions and other loan-related--
documentation generated after loan approval.

The Agency may request additional information from any lender or review the lender's loan file as needed to make eligibility and approval decisions.

69.5 Requirements for Loans of \$125,000 or Less (7 CFR 762.110)**A Application Package**

A complete application for loans of \$125,000 or less from SEL and CLP lenders must, at least, consist of:

- **the application form** (see subparagraph B)
- **loan narrative** (see subparagraph C)
- **balance sheet** (see subparagraph D)
- **cash flow budget** (see subparagraph E)
- **description of farmed land** (see subparagraph F)
- **credit report** (see subparagraph G)
- **environmental information** (if needed see subparagraph H)
- **information related to entity applicants** (if needed see subparagraph I).

In addition to the minimum requirements, the lender will perform at least the same level of evaluation and documentation for a guaranteed loan that the lender typically performs for non-guaranteed loans of a similar type and amount.

The \$125,000 threshold includes any single loan, or package of loans submitted for consideration at any one time. A lender must not split a loan into two or more parts to meet the threshold thereby avoiding additional documentation.

Separate \$125,000 thresholds apply to FO and OL/LOC. An application requesting guarantees of loans of different types (FO or OL/LOC), each of which is \$125,000 or less, will be processed under the requirements of this paragraph. The maximum loan package that can be processed under this paragraph is \$250,000.

The Agency may require lenders with a lender loss rate in excess of the rate for CLP lenders to assemble additional documentation from paragraph 69.6.

On an individual lender basis, FSA may request additional information to make eligibility and approval decisions.

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69.5 Requirements for Loans of \$125,000 or Less (7 CFR 762.110) (Continued)

B Application Form

Lenders may use FSA-1980-25 or their own loan application form if it contains the same information. If a lender uses its own application form, the lender must attach an executed FSA-1980-25 containing the loan applicant's name and address and any information not on the lender's form.

***--Note:** If the lender submits FSA-1980-25 electronically, then the application shall be processed. However, the original, completed FSA-1980-25, with appropriate signatures, must be provided to the Agency before issuing the guarantee.--*

69.5 Requirements for Loans of \$125,000 or Less (7 CFR 762.110) (Continued)**C Loan Narrative**

The application package must include a narrative description of the lender's underwriting of the loan. The narrative must contain information and analysis of any loan application data that are out of the ordinary, or at variance with normal practices for the type of operation and region. The narrative must be an evaluation and not just a summary of the data. It may be less detailed for a present customer who already has a guaranteed loan or an FSA direct loan.

The narrative should address the following, as applicable:

- describe the farming operation, such as types of enterprises, key personnel and management structure, their roles and background, proposed changes to the operation and adequacy of real estate, equipment, and other facilities
- an assessment of the adequacy of the collateral being offered to secure the proposed loan
- a discussion of the loan applicant's financial condition and projected repayment ability

Note: The lender should discuss any significant assumptions or deviations from historical performance in the proposed cash flow budget.

- *--the name, Social Security number, and current address of any co-borrowers or co-signers required to execute the note at loan closing--*
- the short-term and long-term business goals of the operation
- the borrower's reporting requirements, limitations, and other conditions based on the lender's analysis of the proposal
- lender servicing plan describing the borrower's financial reporting requirements, limitations and conditions, plans for visiting the borrower, and any other borrower supervision
- if the loan contains balloon payments, the conditions related to the renewal of loan
- a discussion of how the loan applicant meets the loan eligibility requirements.

D Balance Sheet

The application package must contain a balance sheet for the loan applicant that was prepared within 90 calendar days of the application submission.

--69.5 Requirements for Loans of \$125,000 or Less (7 CFR 762.110) (Continued)--**E Cash Flow Budget**

The lender should submit a cash flow budget as described in Exhibit 2. If significant changes are expected in the operation during the life of the loan, more than 1 cash flow budget may need to be developed.

F Description of Farmed Land

A description of the location of each tract of land to be farmed by the loan applicant should be provided. This may be by FSA farm number, legal description, plat map, or other identifying method. This may be included as part of the loan narrative.

G Credit Report

A credit report on the loan applicant's credit history must be provided. In addition, lenders should consider any other pertinent information concerning the loan applicant's credit history. CLP lenders are not required to submit the credit report to the agency.

H Environmental Information

Borrowers are required to have a current AD-1026 on file with FSA. Lenders should remind borrowers that AD-1026 must be executed with FSA if one is not already on file.

FSA can conduct its environmental review in most cases without additional information from the lender. However, occasionally additional information is needed, and until this information is received, the application is not complete, and the loan processing timeframe does not start. Situations needing additional information often involve wetland determinations, potential historical or archaeological sites, or construction of major confinement livestock facilities. The review is FSA's responsibility to conduct. However, the information to complete this review is part of a complete application.

I Additional Requirements for Entity Applicants

Entity applicants must submit additional information for each entity member. The application must contain the following information about each entity member:

- name
- address
- Social Security number
- percent ownership interest in the entity
- current balance sheet.

69.6 Requirements for Loans Over \$125,000 (7 CFR 762.110)

A Application Package

A complete application package for a guaranteed loan over \$125,000 will consist of the items in paragraph 69.5, plus subparagraphs B through G.

B Verification of Income

Nonfarm and “other farm” income should be documented using RD-1910-5 or documentation the lender uses for its nonguaranteed loans.

C Verification of Debts Over \$1,000

Verification can be documented using FSA-440-32 or documentation the lender uses for its nonguaranteed loans.

D Financial History

The financial history should support cash flow projections and include 3 years of income and expenses and 3 years of balance sheets.

E Production History

The application should include **3 years of production history (SEL only)**.

F Proposed Loan Agreements

Any proposed nontypical agreements between the lender and the borrower should be explained in the narrative.

G Development Plans

If construction or development is planned, a copy of the plans, a copy of the specifications, and a development schedule is needed.

69.7 Submission Requirements for SEL's and CLP Lenders**A Submission Requirements**

The following table summarizes the submission requirements for SEL's and CLP lenders. In addition to the items submitted to FSA, lenders are expected to maintain in their files all applicable items that do not need to be submitted. Lenders certify that they have the required documentation in their files by signing FSA-1980-25.

Submission Requirement	*--For Loans \$125,000 or Less		For Loans More Than \$125,000--*	
	SEL	CLP Lender	SEL	CLP Lender
Application Form	✓	✓	✓	✓
Loan Narrative	✓	✓	✓	✓
Balance Sheet	✓	✓	✓	✓
Cash Flow Budget	✓	✓	✓	✓
Description of Farmed Land	✓	✓	✓	✓
Entity Information (if applicable)	✓	✓	✓	✓
Credit Report	✓	F	✓	F
Environmental Information (if applicable)	✓	✓	✓	✓
Proposed Loan Agreement			✓	F
Verification of Debts Over \$1,000			✓	F
Verification of Income			✓	F
3 Years of Production History			✓	N/A
3 Years of Financial History			✓	F
Development Plans (if applicable)			✓	F

Note: Items marked with an "F" are items that do not have to be submitted, but must be maintained in the lender's file.

If the lender is requesting IA, the following must be submitted:

- a proposed debt repayment schedule
- a monthly cash flow budget for LOC's.

Section 2 Preferred Lender Applications

70 Application Requirements for PLP Lenders (7 CFR 762.110)

A Application Requirements

A complete application for PLP lenders will consist of:

- **an application form** (FSA-1980-28)
 - *--Note:** If the lender submits FSA-1980-28 electronically, then the application shall be processed. However, the original, completed FSA-1980-28, with appropriate signatures, must be provided to the Agency before issuing the guarantee.--*
- **a loan narrative**
- **any other items agreed to during the approval of the PLP lender's status and contained in the PLP lender agreement.**

PLP lenders must certify that the required items, not submitted, are in their files. On a case-by-case basis, **the Agency may request additional information from any lender or review the lender's files as needed to make eligibility and approval decisions.** These requests shall be made only in situations when, because of the unique characteristics of the loan request, an eligibility or approval decision cannot be made without additional information.

FSA can conduct its environmental review in most cases without additional information from the lender. However, occasionally additional information is needed, and until this information is received, the application is not complete, and the 14-calendar-day timeframe does not start. Situations needing additional information often involve wetland determinations, potential historical or archaeological sites, or construction of major confinement livestock facilities. The review is FSA's responsibility to conduct. However, the information to complete this review is part of a complete application.

70 Application Requirements for PLP Lenders (7 CFR 762.110) (Continued)**B Loan Narrative**

FSA expects PLP lenders to include a discussion of the 5 “C’s” of credit; that is, character, capacity, capital, conditions, and collateral; in the narrative. The narrative prepared by PLP lenders should contain applicable information similar to subparagraph 69.5 C.

For many PLP lenders, the narrative will often contain the same information submitted to the lender’s loan committee. Since the Authorized Agency Official will rely on the narrative and application form for making the loan approval decision, it is important that the narrative cover any issues or questions that may arise during the evaluation process.

***--C Submitting Applications Outside Normal Trade Area**

PLP status will be approved for the lender’s normal trade area as defined in CMS. If a lender wants to make a guaranteed loan outside of this area, the lender should contact the State Office responsible for that area for guidance on where to submit the request for guarantee. On a case-by-case basis, SED may authorize the approval of guarantees outside the lender’s normal trade area if SED determines that the lender can adequately make and service the loan. If the lender wants to permanently expand its approved normal trade area, it will request an expansion through SED to DAFLP.--*

Section 3 Other Guaranteed Application Options

71 Application Requirements for Subsequent OL's

A**Application Requirements**

Subsequent OL's within the same operating cycle do not require the complete application submission in paragraphs 69, 69.5, 69.6, 69.7, and 70. Only those items that have changed from the original application must be submitted, such as the cash flow projection.

72 Market Placement Program (7 CFR 1910.4(c))

A**Purpose**

The Market Placement Program:

- is designed to assist qualified existing direct loan borrowers and new direct loan applicants in obtaining a guaranteed farm loan from a commercial lender
 - reduces the number of direct loans FSA makes, which reduces FSA costs while still meeting the credit needs of the farmer
 - helps new lenders become familiar with FSA lending standards and, therefore, serves a marketing function for the Guaranteed Farm Loan Program.
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B**Lender Participation**

Each County Office shall identify lenders who are interested in participating in the Market Placement Program. To identify lenders, the County Office shall contact lenders:

- currently participating in the Guaranteed Farm Loan Program
- who are **not** participating in the Guaranteed Farm Loan Program.

--Lenders should advise FSA of their interest.--

Continued on the next page

72 Market Placement Program (7 CFR 1910.4(c)) (Continued)

C**FSA Preparation
of Loan
Application**

If the loan assessment completed in accordance with the direct loan application concludes that guaranteed assistance may be available, FSA will send the information in the loan application to area lenders.

In the Market Placement Program, direct loan applications are processed under the standard direct loan procedures. If the loan applicant is eligible and may qualify to receive a guaranteed loan, the Authorized Agency Official shall present the completed guaranteed loan application to 1 or more lenders, selected by the loan applicant, who have expressed an interest in the Market Placement Program. The lenders are informed that FSA will guarantee a loan when an application package is presented to them.

FSA shall complete and provide the following to lenders:

- FSA-1980-25
- FSA-431-2
- a narrative
- a suggested plan for servicing
- an appraisal.

To complete the guaranteed loan application, the Authorized Agency Official shall use estimated interest rates and terms. If more than 1 lender is interested in the guaranteed loan, the loan applicant shall select 1 of the lenders. The lender must prepare the loan or LOC agreement. SEL's must submit the loan or LOC agreement to FSA before FSA issues FSA-1980-15. FSA-1980-15 shall be issued upon the lender's acceptance of the loan application and confirmation that funds are available.

***--73 Filing Applications Electronically**

A**Registering to Submit Applications**

Lenders may submit applications electronically through USDA's Online Services website. Lenders interested in filing electronically must first register. An explanation of the registration process, along with the necessary form, can be found by either:

- clicking on "Register" at **www.sc.egov.usda.gov**
- contacting any USDA Service Center.

Currently, registration is limited to individuals; **lenders cannot be registered as organizations**. However, persons representing lenders may register as an individual, and then may electronically sign and submit applications on behalf of the lender.

B**Submitting Applications**

Once a lender's representative has registered and received a user ID and password, the representative may submit applications by clicking on "eForms" at **www.sc.egov.usda.gov**, signing in, and following the instructions to find, complete, and submit forms. Other electronic documents needed for a complete application may be attached to the application form and submitted to FSA.

If the lender submits the application electronically, the application will be processed. However, the original, completed FSA-1980-25 or FSA-1980-28, with appropriate signatures, must be provided to FSA before the Agency will issue the guarantee.--*

74-82 (Reserved)

